OCAF Worksheet Instructions

These instructions should be used by all Owners of projects that require an Operating Cost Adjustment Factor (OCAF)calculation (rent adjustments, "lesser of" test, etc.). Each entry of the OCAF Worksheet is explained below. All calculations should be taken out to the third decimal point (1.023). Rounding to the nearest dollar figure can take place in Step Three when the new rents are calculated with the Increase Factor.

Step One

Calculate the current Section 8 rent potential for expiring contracts. Enter information for only the Section 8 units in the project that are expiring..

A

Enter the unit type (1-BR, 2-BR, etc.) with the contract/stage number. When entering information please distinguish between similar units with different rents. For example, there is a contract that is expiring with one bedroom apartments that have different rents. Enter this information as 1BR-a, 1BR-b, etc. If an Owner elects to combine the contracts into a single contract and there are units of the same bedroom type in the combined contracts, they should be combined into one rent level that will set the rent at an average that yields the same adjusted rent potential.

For example: *total rent for combined contracts ÷ total # units = Average (# of units X rent = total rents)*

B

Enter the number of units that correspond to the unit type and contract/stage number.

C

Enter the current monthly Section 8 contract rent (including utilities, if applicable) for the corresponding unit type.

D

Multiply the contract rent by the number of units to get the monthly rent potential for the unit type.

E

Add all of the sums of Column D to get the monthly contract rent potential for the expiring Section 8 contract(s)/stage(s).

Multiply the sum of the monthly contract rent potential in (E) to get the annual rent potential for the expiring contract(s).

Step Two

Calculating the Increase Factor Adjusted by the Operating Cost Adjustment Factor for the Expiring Contract(s).

G

If there are multiple Section 8 contracts at the property and some are not being renewed at this time, enter the annual rent potential for those Section 8 contracts that are not being renewed.

H

If the property is not 100% Section 8, enter the annual rent potential for the non-Section 8 units in the property

I

To figure the total annual rent potential at the property, add the rent potentials for the expiring Section 8 contract(s) (F), of the non-expiring Section 8 units (G) and the non-Section 8 units in the property (H).

J

To find out what portion of the property's total annual rent potential is for the expiring Section 8 contract(s) divide the rent potential for the expiring Section 8 contract(s) (F) by the total rent potential of the project (I).

K

Enter the Debt Service. The Owner must provide this information. A project manager may confirm this information by reviewing the project's file. For a project that receives Interest Reduction Payments, enter the Total Annual 1% Project Debt Service.

L

In order to subtract the correct amount of debt service from the rent potential, multiply the debt service (K) by the portion of the overall rent potential for the expiring Section 8 contract (J).

M

In order to figure the annual expiring Section 8 rent potential attributed to operations, subtract the portion of the debt service for the expiring Section 8 (L) from the total annual rent potential for the expiring Section 8 contract(s) (F). The rent adjustment must be for the portion of the rent that is attributable to operations, there should be no rent increase on the portion of the rent that covers the debt service since this is a static figure.

N

Use the currently published OCAF for your area and multiply it by the annual expiring Section 8 rent potential attributable to operations (M). If the OCAF is 2.3%, use 1.023 in your calculations.

O

Now that we have adjusted the rent attributable to operations by the OCAF, add the expiring Section 8 portion of the debt service back in to get the adjusted contract rent.

P

If applicable, compare the adjusted contract rent potential with the Market Rent Potential (from the RCS and reflected in the Renewal Request Forms). If the adjusted contract rent potential is less that the Market Rent Potential, enter that figure. If the Market Rent Potential is less, enter that figure. ***NOTE:*** This step may not be applicable in all cases. If no RCS was required, there is nothing to compare, simply enter the adjusted contract rent potential.

Q

Due to the fact that the OCAF was applied only to the portion of the expiring Section 8 rent potential attributable to operations, the adjustment factor that will be applied to each of the rents will be slightly less than the actual OCAF. To figure this increase factor, divide the adjusted rent potential (or market rent potential, if applicable) by the total annual rent potential for the expiring Section 8 contract(s) (F).

Step Three

Calculate the OCAF Adjusted Rent Potential for Expiring Section 8 Contract(s).

R

Enter the unit type and contract/stage number (as in A).

S

Enter the number of units (as in B).

T

Enter the current Section 8 monthly contract rents (as in C).

U

Calculate the OCAF adjusted rent by multiplying the Increase Factor (P) by the monthly contract rents.

V

To get the annual adjusted rent for each unit type, multiply the OCAF adjusted monthly rent by 12.

W

The adjusted annual rent potential for each unit type in each contract/stage is calculated by multiplying the annual OCAF adjusted rent by the number of units.

X

Add the total of the adjusted annual rent potentials for each unit type in each contract/stage to calculate the total annual adjusted rent potential for the expiring contract(s).